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OPEN MEETING AGENDA ITEM

W-00000C-06-0149

Francesca Water Company

Po Box 85160

Tucson, Arizona 85754

520-624-1460 #7

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AZ CORP COMMISSION
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ORIGINAL

January 10, 2013

Chairman Bob Stump

Commissioner Gary Pierce

Commissioner Brenda Burns

Commissioner Susan Bitter Smith

Commissioner Bob Burns

ARIZONA CORPORATION COMMISSION

1200 West Washington Street

Phoenix, Arizona 85007

Arizona Corporation Commission

DOCKETED

FEB - 5 2013

DOCKETED BY

RE: Proposed Policy Statement on Income Tax Expense for Pass-Through Entities (In the Matter of the Commission's Generic Evaluation of the Regulatory Impact from the Use of Non-Traditional Financing Arrangements by Utilities and their Affiliated, Docket No. W-00000C-06-0149)

Dear Chairman and Commissioners;

Chairman Pierce on June 15, 2012, filed a proposed Policy Statement on Income Tax Expense for Tax Pass-Through Entities in Docket W-00000C-06-0149.

The then Chairman proposed that the tax pass-through entity should be allowed to recover income tax expense as a part of its cost of service and that its revenue requirement should be grossed up for the effect of income taxes. In addition Chairman Pierce stated that the failure to include income tax expense discriminates against tax pass-through entities and creates an

Chairman Bob Stump
Commissioner Gary Pierce
Commissioner Brenda Burns
Commissioner Susan Bitter Smith
Commissioner Bob Burns
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artificial impediment to investment in utility infrastructure and neither of the outcomes serves the interest of the rate payers.

We agree that Limited Liability Companies, Subchapter S Corps and Partnerships, as well as Sole Proprietorships (though technically different) should be allowed the same consideration as C Corps in regard to this expense.

We strongly urge the Commission to implement this policy at its earliest opportunity.

We adamantly disagree with Staff's recommendation to continue the current policy against pass through entities. Ratemaking should be based on fairness to all utility companies not based on the legal form of the entity.

The income for all entities creates tax liability and each form of utility is entitled to income tax expense in its cost of service.

Again, we urge the Commission to consider implementing this policy as soon as possible.

Regards,


Officer/Principle:

Trisha A. Morgan

W-00000C-06-0149

From: paulrogers [REDACTED]
Sent: Sunday, January 27, 2013 2:23 PM
To: Pierce-Web; Burns-Web; Stump-Web; BitterSmith-Web; RBurns-Web
Subject: Pima Utility Hearing

Dear Commissioners:

As a long term resident and homeowner of Sun Lakes, I do not understand the rationale for Pima Utility to ask me to pay their taxes on their dividends. I thought we had settled their requests in their previous appearance before you last year. It seems to me that they were well paid as a result of your decisions at that time. Please have them justify their request at their hearing with you on Jan 30 & 31, 2013. I hope your first responsibility is to protect the customer and not the utility from predatory actions by the utility.

Sincerely

Paul M. Rogers
[REDACTED]

Sun Lakes, Az 85248

Trisha A. Morgan

From: Dick Norris [REDACTED]
Sent: Sunday, January 27, 2013 3:47 PM
To: Stump-Web
Subject: Pima Utility

Dear Commissioners:

I am a resident of Sun Lakes, AZ and a customer of the Pima Utility Company. I am in strong opposition to the request to pass-through dividends without tax expense. This portion of their application was not addressed in the decision to increase the rates for water and wastewater. Now I understand it is on the Commissions agenda for the meeting on January 30-31, 2013.

I asked the Commissioners to remember that their fiduciary responsibility is to the customers of the utility, not the owners of the utility. Just how much more does ownership of Pima Utility expect it's rate payers in Sun Lakes to accept yet another increase in their monthly statements? Owners must step up and be responsible owners! They are making huge profits on the backs of retirees on fixed incomes. Enough is enough!

I make this statement again and ask that you do not permit this pass-through. Enacting this pass-through would permit the utility company to request additional relief to pay the taxes resulting in additional expense to the utility customers.

Sincerely,
Richard S. Norris
[REDACTED]
Sun Lakes, AZ 85248

Trisha A. Morgan

From: WoodyCWPV [REDACTED]
Sent: Sunday, January 27, 2013 12:59 PM
To: Stump-Web
Subject: Fwd: Item #39 - January 30-31, 2013 open meeting

Sorry - mis-key on e-mail address for mailing.

From: vvc [REDACTED]
To: pierce-web@azcc.gov, burns-web@azcc.gov, stump-web@azcc.gov, BitterSmith-web@azcc.gov, RBurns-web@azcc.gov
Sent: 1/27/2013 12:38:49 P.M. US Mountain Standard Time
Subj: Item #39 - January 30-31, 2013 open meeting

Dear Commissioner,

I am a resident of Sun Lakes, AZ and a customer of the Pima Utility Company. I addressed the Commission regarding Pima's rate increase application at the hearing in your hearing room and at the gathering at Sun Lakes Country Club.. One of my speaking points was my opposition to the request to pass-through dividends without tax expense. This portion of their application was not addressed in the decision to increase the rates for water and wastewater. Now I understand it is on the Commissions agenda for the meeting on January 30-31, 2013.

In an e-mail before the decision on Pima's rate application I asked that the Commission remember that their fiduciary responsibility is to the customers of the utility, not the owners of the utility. I make this statement again and ask that you do not permit this pass-through. Enacting this pass-through would permit the utility company to request additional relief to pay the taxes resulting in additional expense to the utility customers.

Sincerely,

Ellwood C. Neiman
[REDACTED]

Sun Lakes, AZ 85248

Trisha A. Morgan

From: Jim Currier [mailto:jimcurrier@stump.com]
Sent: Tuesday, January 29, 2013 8:07 AM
To: Stump-Web
Subject: PIMA Request

Mr. Stump

Financial sponsorship of shareholder dividends is part of capital investment funded by shareholders, not an operating expense that should be funded by customers. I would hope that the Corporation Commission will reject this outrageous request with a stern warning that favorable consideration for future rate increases will be jeopardized if the shareholders of PIMA Utilities persist in such blatant and egregious requests.

Jim Currier

[REDACTED]
Sun Lakes, AZ 85248

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

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Trisha A. Morgan

From: Bill [REDACTED]
Sent: Tuesday, January 29, 2013 9:00 AM
To: Stump-Web; Pierce-Web; Burns-Web; BitterSmith-Web; RBurns-Web
Subject: Objection to Pima Utility Co. request

Commissioners,

I strenuously object to Pima Utility Company's request to pass though dividends to the utility owners without tax expense. Approval of this request would shift a tax burden to the utility's customers, including myself. It rightly belongs with the owners, who benefit directly from the dividends.

Bill Gates

[REDACTED]
Sun Lakes, AZ 85248

[REDACTED]